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STATE FOR WHA/BSC, INL/LP (JIM HIDES)  
EB/IFD/OIA  
STATE PASS TO USAID FOR LAC/AA  
STATE PASS TO USTR FOR LYANG  
NSC FOR SUE CRONIN  
TREASURY FOR OSIA MAUREEN WAFER  
TREASURY FOR OTA WARFIELD, VAN KOCH, MILLAR  
COMMERCE FOR ITA SARAH COOK  
SOUTHCOM FOR POLAD

E.O. 12958: N/A

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SUBJECT: PARAGUAY POLITICAL AND ECONOMIC UPDATE DECEMBER  
123. 2006 - JANUARY 12, 2007

11. (U) SUMMARY:

-- Paraguayan Engineering Know How  
-- Threshold Program, First Ever Inter-Institutional Agreement  
-- Cuban National Arrives Safely in Miami  
-- First Class Graduation  
-- Paraguay Attracting Investment

PARAGUAYAN ENGINEERING KNOW HOW

12. (U) An Anatov 124-100, the largest cargo plane in the world, was in Paraguay January 5 to help a Paraguayan firm complete the export of a hydroelectric turbine assembly to Sweden. Paraguayan company CIE produces the turbine assemblies just outside Asuncion, in this case under contract from General Electric Canada. The company produces all of the components for the huge turbines save the rotors, which require much more sophisticated and expensive machining.

The company serves as an example that Paraguayans, given the right motivation and training, have the potential to compete in world markets, despite Paraguay's landlocked status.

THRESHOLD PROGRAM, FIRST EVER INTER-INSTITUTIONAL AGREEMENT

13. (U) The Public Ministry and the National Police signed the first ever Inter-Institutional Agreement January 4 under the MCC Threshold Program to strengthen coordination for investigating corruption and economic crime cases. The responsibility for investigating criminal cases is formally assigned to the National Police but many prosecutors perform their own investigations due to lack of professionalism and corruption in the police force. Under the agreement, up to 60 police will be commissioned directly to the Public Ministry, which will have supervision responsibility over the police. Police will work in a newly established forensic laboratory and as part of an investigative field unit. As part of the Threshold Program these police will be vetted

for human rights abuses and polygraphed.

#### CUBAN NATIONAL ARRIVES SAFELY IN MIAMI

¶4. (U) Post succeeded in orchestrating the safe arrival in Miami of Dr. Adrian Hernandez Ojeda, a Cuban national who received a Significant Public Benefit Parole from DHS. Dr. Hernandez' travel was complicated first by the expiration of his Cuban passport, and also by his planned route which included a stop in Bolivia, where he faced risk of detention by immigration authorities. Post convinced Dr. Hernandez to change his travel plans and go through Santiago vice Santa Cruz. We then coordinated with Embassy Santiago to ensure that he would be allowed to board his plane, and further with DHS Miami to ensure his successful parole into the United States. Asuncion thanks the consular sections in La Paz and Santiago for their valuable assistance in making this case a success.

#### NEW POLICE UNIT GRADUATES FIRST CLASS

¶5. (U) The Special Urban Police graduated its first class of 247 students December 26. This new Police Unit represents an experiment in community developed by the Minister of Interior and will focus its efforts in the city of Asuncion. The

new police officers will have the power to arrest, write reports, and carry firearms. They are not expected to begin operating on the streets of Asuncion until early February ¶2007. The stated idea behind the Special Urban Police is to rebuild trust with Paraguayan citizens who have lost faith in the police. Currently the Special Urban Police lacks

infrastructure, such as detention space and the ability to process complaints. The graduation of the new students was attended by the President, Vice President, Minister of Interior, Deputy Chief of Mission, and RSO. COMMENT: There appears to be some tension between the PNP and the Special Urban Police. The tension was exacerbated by the Minister of Interior's speech at the graduation in which he essentially described the PNP as corrupt and failing and pointed to the Special Urban Police as the answer to Asuncion's crime problems. END COMMENT. Separately the Ambassador attended SENAD's induction of 50 new agents. The Vice President served as the guest of honor when the President had to cancel due to time constraints.

#### PARAGUAY ATTRACTING INVESTMENT

¶6. (U) Paraguay's Ministry of Industry and Commerce approved, as of December 5, 2006, a record US\$296 million in investment projects falling under special law 60/90 which establishes various tax exemptions for new investments.

The 38 separate projects, which represent approved plans and not necessarily consummated investments, will reportedly generate nearly 2,400 new jobs. The amount is nearly five times greater than the figure for 2005 and about 15 percent higher than the next highest total from 1998, although it represents only about 3.5 percent of GDP. The projects were split nearly evenly between foreign and domestic capital. The telecom sector dominated, with seven projects worth US\$171 million, about 58 percent of the total.

A \$40 million investment in beverage production was the largest industrial sector investment. The biggest foreign source was Japan with US\$81.7 million in projects, followed by the US with \$66.7 million in two approved projects. The US investment represents 35 percent of the foreign capital and 22.5 percent of the total. The US investment projects involved the telecom and agro-industrial sectors.

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